DAWN

OPINION

The year ahead

PAKISTAN enters 2026 with problems it is well aware of but has failed to resolve. Three alarm bells in particular are sounding off: resurgent terrorism, economic fragility, and a steady squeeze on fundamental rights. None of these is new. What is new is the growing sense that the state is treating each as a problem to be managed, not solved, and that habit is becoming unaffordable. Terrorism remains the most immediate danger. Suicide bombings on police and security installations in Bannu and North Waziristan, the deadly blast near Islamabad's district courts, and continuing violence in Balochistan demonstrated the capacity of terrorist networks. These incidents showed how violence is no longer geographically contained, nor confined to symbolic targets. Yet our counterterrorism efforts value force rather than reform. Policing capacity, prosecution, local governance and political engagement in conflict-affected districts remain weak. Unless these gaps are addressed, 2026 risks becoming another year in which attacks are condemned, investigations announced and root causes ignored.

The economy presents a slower-burning crisis. The sale of a majority stake in PIA was hailed as a major breakthrough after decades of delay. It also highlighted how rare decisive action has become. One transaction, however, cannot substitute for the harder work of broadening the tax net, fixing other loss-making state enterprises, and building credibility through predictable policy. Without that, 2026 risks repeating the cycle of short-term fixes, periodic external support, and long stretches of stagnation. The more corrosive issue is the steady narrowing of civic space. Over the past year, prolonged internet shutdowns, restrictions on public assembly, pressure on journalists, and legal action against dissenting voices became routine. Media outlets faced censorship, digital platforms were blocked, and human rights organisations reported intimidation and administrative obstruction.
Such measures may silence criticism, but they also weaken accountability and deepen public mistrust, especially among younger citizens already sceptical of political institutions. A state that relies on control rather than consent reduces its own capacity to govern and invites the very instability it claims to prevent.

Institutions will therefore matter greatly in 2026. Parliament must reclaim its role as a forum for debate where laws are scrutinised before enforcement, not justified after the fact, and committees are allowed to function without pressure or haste. The judiciary must demonstrate consistency and independence, not selective urgency, by upholding due process without fear or favour. Economic decisions need clarity, consistency and equal application if confidence is to return. Security policy, meanwhile, must rest on civilian authority rather than a permanent sense of emergency. And the executive must accept that order imposed through coercion is fragile and short-lived. The country has tried control time and again. It should now try governance.

Climate resilience

THE Asian Development Bank's latest climate resilience financing for Pakistan should reinforce the country's efforts towards building longer-term resilience to protect its people and economy from the adverse impacts of climate change. The $180.5m funding for Sindh addresses one of the country's most neglected climate frontiers along its coastal belt where recurrent flooding and sea intrusion have steadily eroded livelihoods, undermined food security and impacted biodiversity, forcing residents to migrate. By focusing on integrated water resource management, flood risk reduction and restoration of nature-based coastal defences, the project will embrace ecosystem-based solutions, benefiting over 3.8m people. The project will simultaneously focus on institutional strengthening and community-level strategic planning for durable impact and continuity. The $124m assistance for Punjab seeks to tackle a different structural problem. It will give small farmers access to climate-smart machinery, introduce circular agriculture practices to reduce residue burning, establish testing and training facilities and empower thousands of women to enhance farm productivity and climate resilience in 30 districts.

The ADB funding for these projects indicates growing realisation on the part of both international lenders and authorities here that climate change has emerged as one of the biggest economic and governance challenges — it is not merely an environmental issue — for a nation that has repeatedly been hit by devastating climate-induced disasters in the last couple of decades. Such projects are an investment in the country's economic future and stability.
That both projects have been structured in such a way that the provincial governments also chip in from their own resources on top of ADB financing, no matter how modest that contribution ($20m from Sindh and $5m from Punjab), will ensure their buy-in to the schemes. Their limited scale notwithstanding, the schemes underscore what needs to be pursued for climate adaptation and where money must be put for making communities climate resilient. They have rightly been described as 'transformative' for communities that stand to benefit. However, for these initiatives to have a durable impact, the authorities must ensure that the funds are spent prudently and transparently. Our development history is littered with well-funded projects that faltered midway due to weak execution, opacity and corruption. The challenge now is to ensure that the promise of climate finance is matched by institutional reform, transparency and sustained political commitment.

Deadly drains

FROM Karachi, a familiar story: another child dead, swallowed by an uncovered manhole while playing. This Monday, eight-year-old Dilbar became the eighth child to die in an uncovered Karachi drain in the year 2025. Nineteen adults also suffered the same fate. When last a child had fallen into an uncovered manhole — just weeks earlier, in fact — there had been an outpouring of grief, as well as anger against Karachi's civic authorities. Even then, those protesting were callously told not to 'politicise' the issue. This time, the Karachi mayor repeated the phrase in response to what he perceived as a needlessly hostile question. He should not have. The death of so many children to a very preventable cause is not something that can be easily overlooked or written off. There are many residents of the city who feel they have been condemned to live in misery due to the consistent failures of Karachi's authorities. If nothing else, they deserve empathy.

A similar example from elsewhere in the country stands out. After a child similarly fell to his death in an open manhole in Lodhran the same month, the deputy commissioner of the district was ordered transferred. Both the contractor responsible for the open manhole and the senior sub-engineer of Lodhran's district council were booked. The chief officer of the district council was surrendered to their parent department, with the recommendation that they be suspended. The provincial government announced an AI system that could use security cameras to identify civic issues like open manholes "to strengthen rapid response capabilities and advance smart city management". In short, visible action was taken at multiple levels to iterate that the authorities cared that a life had been lost. This is close to the kind of response citizens expect and appreciate. Those responsible for people's lives need to be empathetic and demonstrate how they intend to address public concerns, not isolate themselves from their criticism.

BY ALI TAUQEER SHEIKH

Correcting our consumption

Our consumption habits assault both human health and planetary systems.

THIS new year, I've made a simple promise to myself — to cut back on *chai*, *cheeni* and *ghee*. It is not just about my own health — though my waistline surely needs it. It is a stand against habits that are quietly bleeding Pakistan dry. Sweet milky tea, sugary sweets and ghee-drenched *parathas* areeveryday comforts that cost us over $4 billion for edible oils, $600 million for tea, and significant subsidies and spikes for sugar. They fuel our shocking 31.4 per cent diabetes rate, the highest in the world. And as climate-triggered disasters ravage us again, we see their hidden climate toll. What was once warmth and hospitality has become a national vulnerability. It is time to face facts and find fixes.

Our consumption pattern: Pakistanis drink a lot of tea. At 1.5 kilogram per person annually, we rank sixth globally — more than twice India's rate. That is four to five cups daily in most homes, loaded with sugar and milk. We consume over 25kg of sugar per head yearly, much of it in *chai* and *mithai*. Additionally, a major share comes from juices, sodas, confectionaries and bakery products. Over the last decade, this has caused our import bill to explode. Total edible oil imports exceeded $4bn in 2024, with those high in saturated fat alone accounting for nearly $3bn. To grasp the scale: this exceeds Rs1,100bn that is nine times Pakistan's combined federal budgets for education and health, and over 100 times what the treasury received from the PIA privatisation.

The combined import bill for tea and edible oils has surged over 40pc in five years. If consumption and population growth remain unchecked, this could hit $7bn annually by 2030, entrenching the 'triple burden' permanently. This is money we cannot spare when climate catastrophes wipe out billions every few years.

Health-planet nexus: Our consumption habits assault both human health and planetary systems in parallel. The saturated fats in ghee and trans fats in cheap vanaspati drive up bad cholesterol, making heart disease the leading cause of death. We rank first globally for diabetes prevalence, with nearly 30pc of adults hypertensive. The sugar in our *chai* often exceeds 60 grams daily. It fuels diabetes in one in three adults. These non-communicable diseases drain our GDP as families spend heavily on medical tests, pills and doctors, a burden worsened for the poor by widespread adulteration of unpackaged, loosely sold ghee and fake tea. The economic toll is staggering: NCDs cost Pakistan an estimated 2-3pc of GDP annually in lost productivity alone.

These same habits devastate our ecosystems. Sugarcane dominates 1.5m hectares (3.7m acres) of irrigated land, straining the Indus even as freshwater flows shrink. This expansion occurs at cotton's expense that generates far greater export earnings per acre. Sugarcane's 2,000-litre-per-kilogram water demand depletes aquifers that should irrigate wheat. While cotton strengthens our industrial base, sugarcane thrives through a 'playbook of distortion' where mill owners secure near-free irrigation water, instead of paying a water-use levy based on cane procured that would internalise water costs into sugar pricing, thereby reducing reliance on subsidies.

Governance failures: Evidently, Pakistan's sugar, tea and edible oil sectors share a common playbook where artificial price supports and export quotas create shortages despite ample supply, while the dysfunctionality of oversight bodies enable smuggling and adulteration. In the sugar sector, operational mills benefit from near-free irrigation water. In the tea sector, the absence of the Pakistan Tea Board (defunct) enables annual smuggling losses via Afghan transit while some elite importers allegedly block local plantations through lobbying. Similarly, in the ghee sector, waivers sustain high margins despite global price drops, and loose ghee evades health regulations and enforcement. Collectively, these networks are believed to misallocate over $4.6bn in annual forex, entrench elite capture and corruption at public expense.

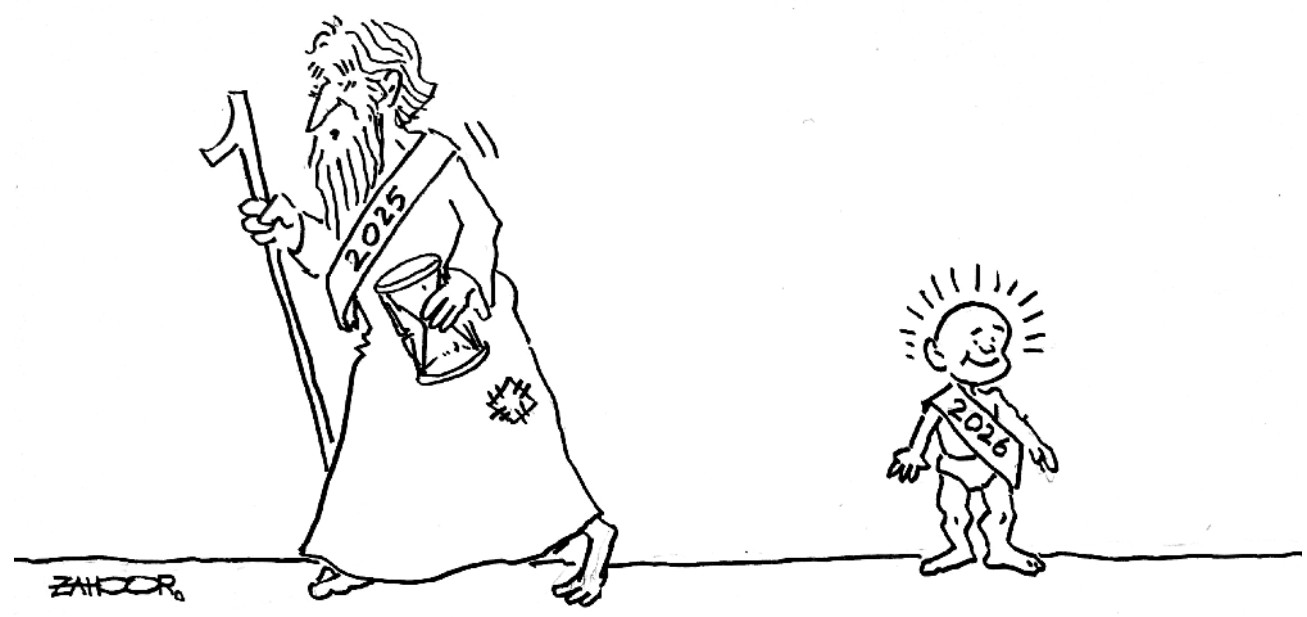
These distortions amplify Pakistan's climate risks, particularly in flood-prone sugar belts. The governance failure extends into the climate crisis, where the sugar elite has mastered the art of turning climate-triggered disasters into profit. While the 2022 and 2025 floods devastated smallholders, destroying up to 61pc of yields in some districts, the sector paradoxically saw an export boom and value increase of over 20pc. By leveraging flood-induced local shortages to justify stockpiling and price spikes, politically wired millers ensure their unquestioned profits. This systemic capture not only sidelines high-value crops like cotton but also entrenches a water-intensive monoculture that leaves Pakistan increasingly vulnerable to the very climate shocks these elites allegedly exploit for gain.

Cultural tradition: The Indus Valley civilisation knew sugarcane and produced *gur* for millennia, but today's industrial sugar dominance is recent. Pakistan's culinary past offers alternatives our grandmothers understood instinctively: carrying both ceremony and wellness. The path to breaking this 'triple burden' lies in dismantling the vertical integration and regulatory capture that have turned our kitchens into profit centres for the elite. We must move to shed the entire ecosystem of 'fried and sweet' consumption. A critical first step is to tax high-sugar beverages and industrial trans-fats, with revenues ring-fenced to fund public health awareness.

Finally, we must internalise the true cost of production by replacing near-free irrigation for sugar with a water-use levy that reflects our national scarcity. This would naturally pivot the agricultural economy back towards cotton and pulses. These crops build industrial capacity and food security instead of draining water for elite mills. Switching to canola and sunflower, which require far less water and yield per hectare in saline lands, could help cut import reliance and reduce our carbon footprint, and ease pressure on drying aquifers. Breaking this cycle requires more than technical policy; it requires the rejection of a governance model that leverages climate disasters like the 2025 floods to justify stockpiling and price spikes.

My promise to cut back on *chai*, *cheeni*, and *ghee* is a personal refusal to fund these cartels. My first plain *chai* tomorrow is small, but it's a start. Policymakers, join me. Turn this burden into strength. Our people — and our planet — deserve it. ■

The writer is a climate change and sustainable development expert.



BY KHURRAM HUSAIN

RIP Shamshad Akhtar

SHE was the shortest giant I ever met. Yet she commanded stature and could dominate a room full of people simply by being in it. It was the quiet authority she exuded that was her signature, the kind that seeks no validation from anyone. She steered Pakistan's financial system through one of its most critical tests ever: the Great Financial Crisis of 2008, as governor of the State Bank at the time. And in doing so, she developed the template that was used by her successors more than a decade later.

The economy had been drifting towards crisis since 2006, when she came into the position of governor. She had already made history as the first woman governor of the State Bank, but little did she know that she would be called upon to make history one more time in dealing with the crisis coming her way. Pakistan's foreign exchange reserves were depleting fast, at an accelerating clip, and inflation was rising. In two years, the inflationary fire reached historic levels, and the reserve depletion brought the country's financial system to the brink of a full-fledged run on the banks.

The financial sector had changed by the time this crisis arrived. In 1997, for example, total financial sector assets were around 95 per cent of GDP. By 2007, they had risen to 125pc. Equally important, most of this lay in private hands. And on the margins of the big banks and capital markets, a slew of smaller players operated — insurance companies, non-bank financial institutions, smaller banks that had escaped the merger and acquisition drive of the 2000s, listed private bonds, and so on. Financial risk had taken complex forms with these changes, and improving banking supervision and surveillance had become critical tasks.

Akhtar focused hard on the sources of risk and their propagation channels, and worked to develop a surveillance regime as well as upgrade regulatory requirements to shore up the resilience of banks against possible crises. To do this, she worked to identify risks to financial institutions, markets as well as infrastructure. The system faced wide-ranging risks along multiple fronts as it evolved out of public sector hands into private ownership, and strengthening banks' capital adequacy in addition to the regulators' visibility of systemic risk was becoming increasingly critical.

Her efforts bore fruit in the year 2008, when the Great Financial Crisis engulfing the world finally landed in earnest on Pakistan's shores. The financial system was hit by a wave of withdrawals so severe that it created a crisis that the country had never seen before: a full-fledged banking sector collapse. A number of developments began to unfold simultaneously. Widespread dollarisation began in 2007 as reserves fell and the current account deficit swelled. One devaluation in November 2007 triggered a flight into dollars, which accelerated all through 2008. Second, non-performing loans of the banking system began to skyrocket in the early months of 2008, reaching levels equal to what they were in the pre-privatisation days. Third, by the summer of 2008, banks stopped bidding for government debt paper in anticipation of an interest rate hike, forcing the State Bank to print more money to finance runaway government spending on subsidies that the Musharraf regime was unwilling to withdraw in the face of mounting challenges to the general's rule. Fourth, a global price spiral in oil and wheat was placing unprecedented strain on the country's external account, sending the trade deficit skyrocketing and draining foreign reserves further still.

> Had it not been for the deft balancing act she performed in those months, Pakistan's inflation would have peaked far higher than it did.

A near-perfect storm was brewing until then, but it was completely overshadowed by the stormy political developments of the day. The economy did not stand a chance in competing for the headlines in days when the Lal Masjid crisis and the lawyers' movement were roaring ahead.

By the summer of 2008, the perfect storm began to take shape. Dollarisation gave way to dollar flight. Banks were hit by panic-driven withdrawals of rupee liquidity so severe that the weaker among them began to shake under the strain. The government's fiscal crisis worsened and printing of rupees accelerated. The crisis landed in the first week of October, when Eid-related cash withdrawals from the banking system combined with panic withdrawals sent at least four banks into a liquidity crisis.

The real story of those days needs to be told properly. Four owners of small banks showed up in the office of Governor Akhtar to inform her that their banks were hit by withdrawals they could no longer honour. The interbank lending window had shut down. In short, a run on the banks had begun.

Akhtar knew that the banking system needed strengthening all along. It was the steps that she had taken earlier in her tenure, building on the work of her predecessor Ishrat Husain, that helped the banks weather the intense liquidity crisis they faced in 2008. But vulnerability remained when a few smaller banks were unable to sustain themselves in the face of the severe strains they were facing. And this is precisely how banking systems face total collapse, when the weakest among them fails, panic spreads, and soon everyone starts seeing panic-driven withdrawals.

Akhtar managed this situation, trying to prevent a fully-fledged financial meltdown while at the same time trying to prevent, as far as was possible, the full impact of the crisis hitting the common citizenry in the form of inflation. Had it not been for the deft balancing act she performed in those months, Pakistan's inflation would have peaked far higher than it did, at 25pc.

This was the first test of Pakistan's new, post-privatisation financial system. And Akhtar was the captain of the fleet who navigated them all through the choppiest waters they had ever traversed. She was a steady hand on the tiller, a firm captain of her will and a resolute central banker who put duty above ambition. May she rest in eternal peace. ■

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